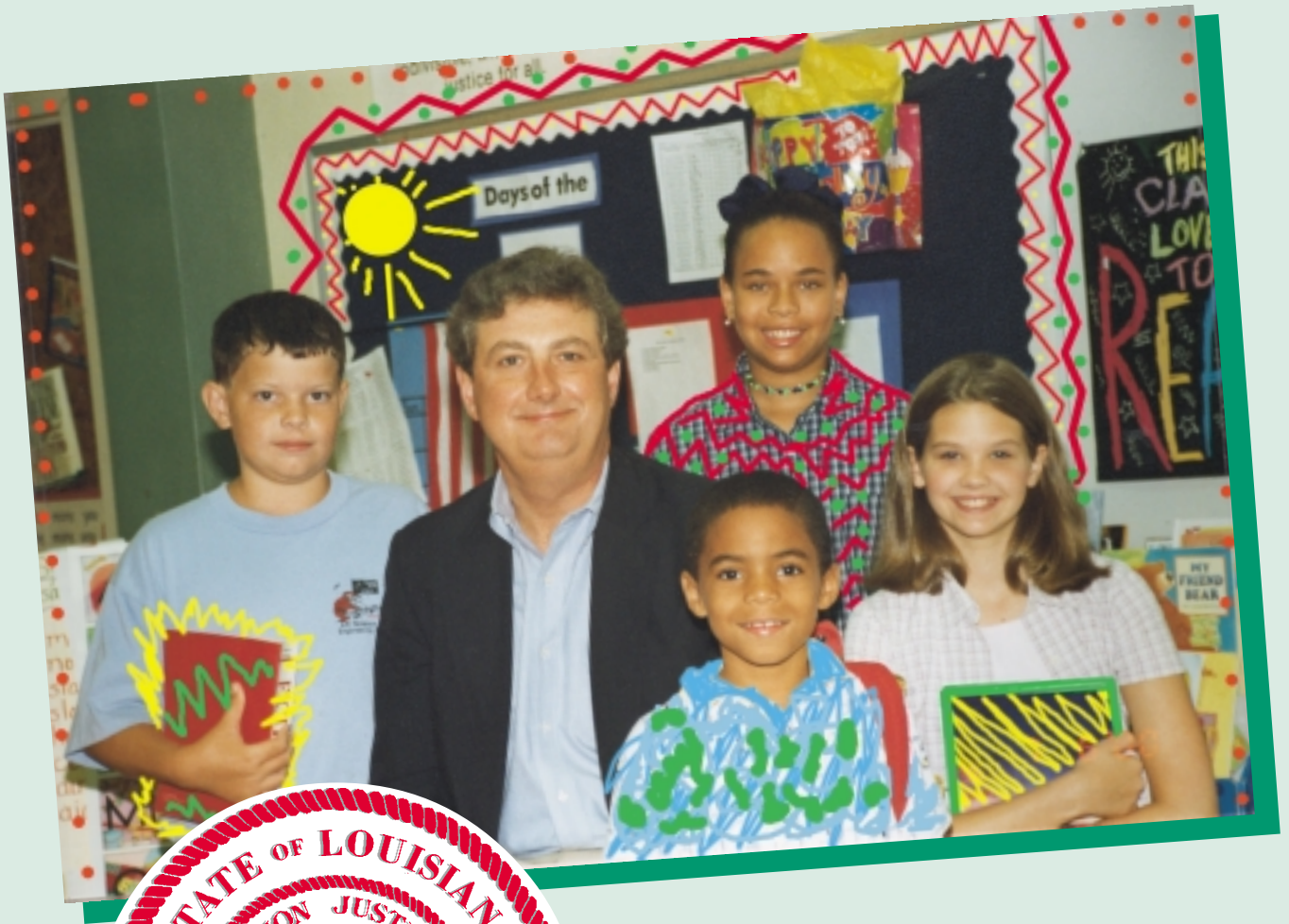


Louisiana Education Quality Trust Fund



ANNUAL REPORT

June 30, 2000

Message from the State Treasurer John Kennedy.....



It is my pleasure to present to you the 2000 Annual Report for the Louisiana Education Quality Trust Fund (LEQTF). The legislature and the people of Louisiana established the LEQTF in 1986 for the enhancement of education in the State of Louisiana.

Over the life of the fund, the LEQTF has provided \$724.3 million to the Board of Regents and the Board of Elementary and Secondary Education (BESE). This year's allocation is \$55 million, and as you will discover in the pages of this report, those dollars have funded a number of remarkable teaching projects and research efforts.

This perpetual endowment fund has become the largest and most asked about program in the State Treasury. Its success is largely attributable to the prudent management and sound judgment of investment professionals at Treasury, the wise counsel and advice of the LEQTF Advisory Committee, and the hard work of our educational community.

If you have any questions or comments regarding the LEQTF, please contact me or our Chief Investment Officer J. Cooper Harrell at 225-342-0010. You are also invited to visit the State Treasury's website at www.treasury.state.la.us to obtain more information or send us an e-mail.

With Kind Regards,

A handwritten signature in black ink that reads "John Kennedy". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

John Kennedy
State Treasurer

Louisiana Education Quality Trust Fund

ANNUAL REPORT

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COVER: Pictured from left to right clockwise: Kris Goodson, State Treasurer John Kennedy, Miracle Johnson, Taylor Willie and John Chenier. The photograph reflects the artistic design of a Fauve art project that was supported by an 8(g) Instructional Enhancement Through Arts grant. See the center pages for more examples and information on the project.

History of the Louisiana Education Quality Trust Fund.....

In 1978, the United States Congress amended the Outer Continental Shelf Lands Act to require the federal government to share offshore oil and gas revenues with all coastal states including Louisiana. The offshore area is still referred to as the “8(g) zone,” named after the paragraph in the law that provides for the revenue sharing. Between 1978 and 1986, revenues earned in this area were placed in escrow, waiting for a formal agreement and a formula to divide the earnings.

In April 1986, Louisiana Senator J. Bennett Johnston chaired the Senate Energy and Interior Committee, which had jurisdiction over mineral extractions from federal lands. Congress determined the coastal states would receive a portion of the funds held in escrow along with monthly earnings on the mineral leases. Louisiana’s first payment was \$640.7 million, of which \$540.7 million was placed into the Louisiana Education Quality Trust Fund.

In addition, the settlement with the federal government included annual payments through fiscal year 2000-2001. From fiscal years 1987 to 1991, Louisiana received \$2.5 million annually. Beginning in fiscal year 1992, those yearly payments increased to \$5.9 million; and starting in fiscal year 1997 until the final payment in fiscal year 2000-2001, the state is scheduled to receive \$8.4 million each year.

The first interest earnings from the LEQTF were

available for use in 1987. The most significant change to the Fund was the 1994 Constitutional Amendment allowing the Treasurer to invest up to 35 percent of the Permanent Fund’s assets in equities (publicly-traded stocks).

A statewide coalition including the Fund’s beneficiaries – the Board of Elementary and Secondary Education (BESE) and the Board of Regents (Regents) – and organizations like the Select Council on Revenues and Expenditures in Louisiana’s Future (SECURE), Council for a Better Louisiana, Louisiana Association of Educators, Louisiana Federation of Teachers, Chambers of Commerce, as well as the State Treasury and civic leaders across the state worked to pass the amendment.

In October 1995, the Treasury began implementing the equity investment plan by placing assets in an index fund. Currently, the equity investment is approximately 24.1 percent of the total portfolio. In October 1996, LEQTF contracted with an outside investment consulting firm, Summit Strategies Group, to advise on investment strategy, assist in the interviewing and hiring of money managers and to provide performance measurement reports. During fiscal year 1997-1998, with the assistance of Summit Strategies Group, LEQTF began a program of active equity asset management by contracting with small cap managers and to further diversify the equity portfolio.

Goals and Objectives.....

The Louisiana Education Quality Trust Fund is a resource for today and tomorrow. That ideal guides the State Treasurer’s Office in the investment of the LEQTF. Efforts are aimed at maximizing the benefits the taxpayers will see from the Fund for years to come.

In its carefully designed investment policies and forward-looking philosophy for the LEQTF, the State Treasurer’s Office is guided by three goals:

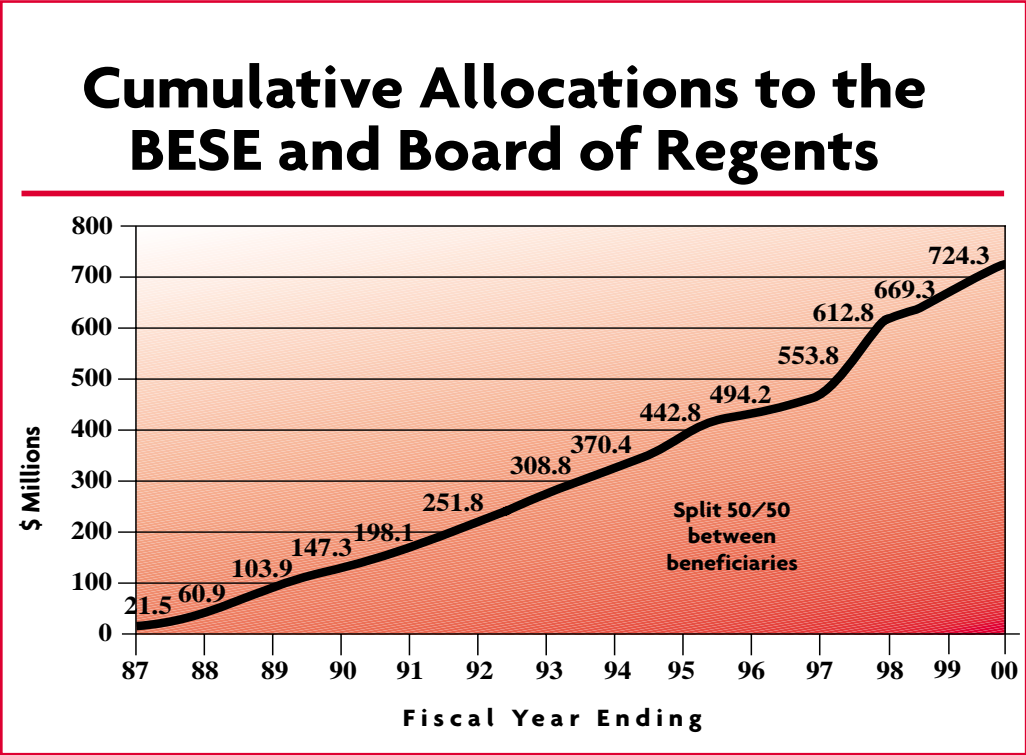
- Preserve the Fund’s capital
- Enhance the market value of the Fund
- Provide stable and predictable income

Moving forward, the Treasury will continue its commitment to the three guiding goals, while implementing a more active management of the Fund to increase the growth of the Fund’s future earnings. The increased earnings could be utilized to provide more classroom computers, more endowed professorships and more scientific research, each improving the quality of life for our children.

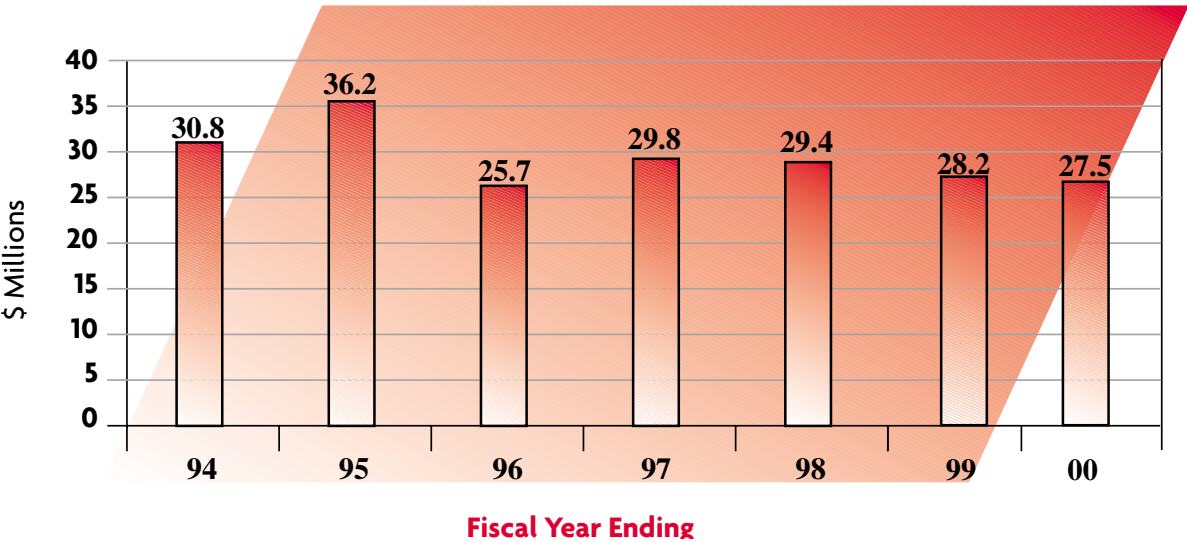
Annual and Cumulative Allocations

The Louisiana Education Quality Trust Fund allocated \$27.5 million each to the Board of Elementary and Secondary Education and the Board of Regents for the Fiscal Year ended June 30, 2000. During the 1994-1995 Fiscal Year, the Fund's beneficiaries each received a one-time \$13.5 million bonus based on an Attorney General's opinion regarding the allocation of annual settlement payments due to the fund by the federal government.

Over the life of the LEQTF, the Fund has allocated a total of \$724.3 million to BESE and Regents. The Fund has provided a stable source of funding for a wide variety of educational enhancements and opportunities for hundreds of thousands of students in Louisiana at every level of education.



Annual Allocations to BESE and Board of Regents



Investment Results and Additional Income

For the Fiscal Year ended June 30, 2000, the Louisiana Education Quality Trust Fund earned \$53.5 million in investment income, specifically on its combined interest income, dividend income and securities lending income.

Royalty income generated from “8(g)” offshore tracks totaled \$10.2 million. This portion of the Funds income is a direct function of natural gas prices, and tends to fluctuate as production and natural gas prices rise and fall.

Royalty income from the annual settlement with the federal government totaled \$8.4 million.

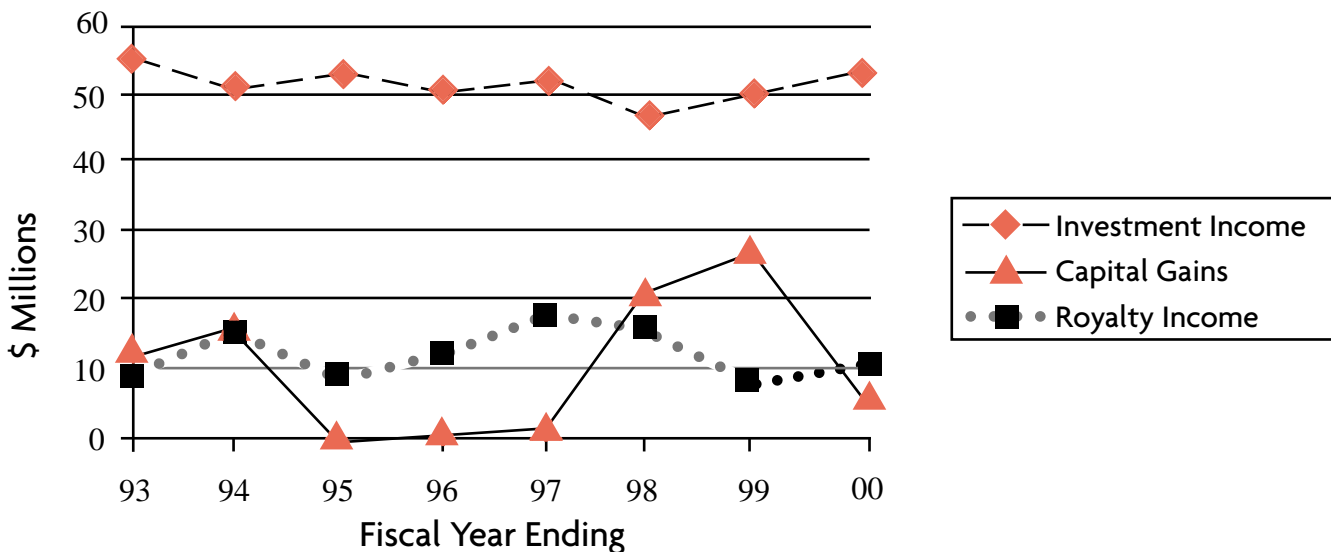
In accordance with state law, 75 percent of investment income (including securities lending proceeds) and royalty income are deposited in the Support Fund to be shared by the Board of Elementary and Secondary Education and the Board of Regents. That means \$40.1 million in investment income and \$14.0 million in royalty income were transferred to the Support Fund for educational projects. The remain-

ing balance was reinvested in the Permanent Fund.

The Fund also earned \$6.3 million in capital gains realized during the year from selling some of its assets and seeing other investment holdings come to maturity. Of those capital gains, \$4.7 million was returned to the Permanent Fund and \$1.6 million (25 percent) was transferred to the Support Fund for education projects.

The investment income of the LEQTF, primarily earned from coupon interest, was \$51.5 million. Dividend income earned from investment equity was \$1.9 million. The LEQTF participates in a securities lending program where the LEQTF loans securities to major Wall Street brokerage firms. These securities are collateralized with cash and/or U.S. securities at a margin of 102 percent, providing an additional source of income for the Fund. For fiscal year 1999-2000, LEQTF earned \$99,788.54 in additional revenues through its securities lending agreement.

LEQTF Major Sources of Income



LEQTF Income and Distribution

The sources of LEQTF income are:

- **INTEREST INCOME** - The LEQTF holds a variety of fixed-income investments, including U.S. Treasury and U.S. Agency securities and investment grade corporate bonds. Each of these investments return interest to the LEQTF, like the interest an individual earns on a certificate of deposit.

- **DIVIDEND INCOME** - The LEQTF invests in the stocks of publicly traded companies. These companies distribute their earning to shareholders in the form of dividends. The dividend is paid in a fixed amount for each share of stock held.

- **ROYALTY INCOME** - The LEQTF continues to benefit from natural gas and other production from lands on the Outer Continental Shelf in the Gulf of Mexico.

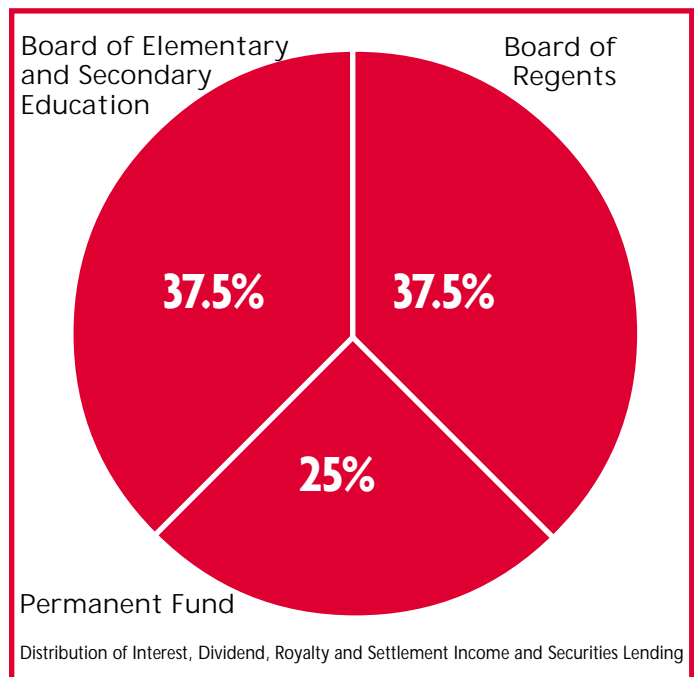
- **SETTLEMENT INCOME** - According to the state's settlement with the federal government, the LEQTF will continue receiving annual payments until the year 2001.

- **SECURITIES LENDING** - The LEQTF securities holdings are loaned to major Wall Street brokerage firms. These securities are collateralized with cash and/or U.S. securities at a margin of 102 percent, providing a small source of additional income.

- **CAPITAL GAINS** - When the LEQTF sells an investment, or when a bond matures, the LEQTF may recognize a "capital gain," which in many cases provides a major boost to income in the fund.

The Support Fund receives 75 percent of all interest, dividend, royalty, settlement, and securities lending income, as well as 25 percent of all capital gains income.

Twenty-five percent of all interest, dividend, royalty, settlement and securities lending income is reinvested in the Permanent Fund, along with 75 percent of all capital gains income. When the Permanent Fund reaches \$2 billion, all investment



income will be credited to the Support Fund and recurring royalty income will revert to the state's General Fund.

LEQTF Investments Performance Comparison

The Louisiana Education Quality Trust Fund earned a total return of 5.0 percent for the fiscal year. Total return is a time-weighted measure of actual income received during the year, plus accrued income and any change in the price of portfolio securities and cash at the end of each period.

Again this year, the LEQTF exceeded the returns of its legislative benchmarks, the 30-day Treasury Bill and the two-year Treasury Note. The 30-day Treasury Bill returned 4.6 percent and the two-year Treasury Note returned 4.1 percent versus a LEQTF

return of 5.0 percent.

Act 802 of the 1990 Regular Session of the Legislature requires that investment earnings of the LEQTF be measured against the two-year U.S. Treasury Note and the 30-day U.S. Treasury Bill. Actual average maturity of the portfolio may vary with market conditions. All performance numbers are expressed in total return as measured at the end of each period. Total performance returns are calculated on a time-weighted basis by an independent consultant.

LEQTF vs BENCHMARKS – FY 1999-2000

Portfolio/ Benchmark	30-Day T Bill	2-Year T Note	LB Govt./Corp. Bond Index	LEQTF Fixed Income	LEQTF Equities	LEQTF Total
% Return	4.6%	4.1%	4.3%	2.4%	13.9%	5.0%

Selected Portfolio Data

	6/30/96	6/30/97	6/30/98	6/30/99	6/30/00
Market Value of the LEQTF Portfolio					
Includes Support Fund	\$775,338,047	\$831,681,354	\$891,024,003	\$894,719,125	\$898,412,938
Market Value of the Permanent Fund	\$713,702,637	\$760,192,407	\$817,056,699	\$817,998,819	\$823,520,329
Unrealized Gains & (Losses)	(\$2,457,333)	\$25,413,616	\$38,179,188	\$8,214,378	(\$8,869,106)
Average Maturity	6.75 Years	5.62 Years	4.8 Years	13.0 Years	17.8 Years
Average Coupon	7.0%	6.7%	6.6%	7.3%	7.4%
Total Annual Rate of Return*	5.79%	10.50%	11.4%	4.8%	5.0%
30-Day Treasury Bill	5.26%	5.00%	4.9%	4.3%	4.6%
2-Year Treasury Note	5.13%	6.60%	6.6%	4.3%	4.1%

Asset Allocation

	6/30/96	6/30/97	6/30/98	6/30/99	6/30/00
Short Term Funds	2.0%	1.6%	1.3%	1.4%	1.5%
U.S. Treasury and Agency Securities	74.6%	56.8%	48.9%	13.3%	9.4%
Mortgage Back Securities	17.7%	28.5%	25.0%	19.2%	20.4%
U.S. Equities	5.7%	13.1%	20.6%	21.6%	24.1%
U.S. Corporate Bonds			4.2%	44.5%	44.6%

*Returns are unaudited and calculated on a time-weighted basis by an independent consulting firm.

Louisiana Education Quality Trust Fund Portfolio

as of June 30, 2000

0-1 YEARS

PAR VALUE	DESCRIPTION	COUPON	MATURITY DATE	MARKET PRICE	MARKET VALUE	% OF PORTFOLIO	ACCRUED INCOME
\$ 3,951.88	TRUST M/M DEP FD	5.663%	07/01/2000	1.000	\$3,951.88	0.00	0.65
13,100,000.00	WARBURG REPO	6.500%	07/14/2000	1.000	13,100,000.00	1.47	2,365.27

5-7 YEARS

10,000,000.00	PULTE CORP	7.300%	10/24/2005	91.270	9,127,000.00	1.03	133,833.33
20,000,000.00	IMC GLOBAL INC	7.625%	11/01/2005	99.710	19,542,000.00	2.20	249,930.56
6,000,000.00	FED NATL MTG	7.110%	03/20/2006	97.540	5,852,400.00	.66	118,500.00
5,000,000.00	FED MTG CORP	7.245%	04/24/2006	98.219	4,910,950.00	.55	66,412.50

7-10 YEARS

200,617.01	GNMA POOL 336426	7.500%	12/15/2007	100.432	201,483.68	.02	1,253.85
187,145.45	GNMA POOL 358194	7.500%	07/15/2008	100.435	187,959.53	.02	1,169.65
121,347.34	GNMA POOL 156064	7.500%	10/15/2008	100.435	121,875.20	.01	758.42
233,491.96	GNMA POOL 376483	7.500%	04/15/2009	100.434	234,505.32	.03	1,459.32
1,563,300.91	GNMA POOL 362256	7.500%	04/15/2009	100.439	1,570,163.80	.18	9,770.63
504,819.22	GNMA POOL 392027	7.500%	04/15/2009	100.446	507,070.71	.06	3,155.12
218,893.85	GNMA POOL 392089	7.500%	04/15/2009	100.437	219,850.42	.02	1,368.08
440,722.80	GNMA POOL 400276	7.500%	05/15/2009	100.438	442,653.17	.05	2,754.51
20,000,000.00	FED HOM LN BK	7.010%	08/03/2009	96.312	19,262,500.00	2.17	572,483.33

10 YEARS +

20,000,000.00	FED MTG CORP	6.450%	12/09/2013	90.094	18,018,800.00	2.03	72,250.00
20,000,000.00	FED MTG CORP	6.525%	12/09/2013	90.500	18,100,000.00	2.04	76,125.00
20,000,000.00	FED HOME LN BK	6.600%	03/19/2018	88.844	17,768,800.00	2.00	370,333.33
10,000,000.00	OWENS CORNING	7.500%	08/01/2018	60.740	6,074,000.00	.68	310,416.61
148,136.12	GNMA POOL 316129	8.000%	04/15/2022	100.973	149,577.48	.02	987.57
10,000,000.00	WISCONSIN ELECT	7.750%	01/15/2023	95.280	9,528,000.00	1.07	355,208.33
10,000,000.00	HOUSTON LTG & PWR	7.750%	03/15/2023	93.930	9,393,000.00	1.06	226,041.67
10,000,000.00	UNION CARBIDE	7.875%	04/01/2023	101.020	10,102,000.00	1.14	194,687.50

20,000,000.00	GTE CORP	7.830%	05/01/2023	94.580	18,916,000.00	2.13	256,650.00
15,000,000.00	U S WEST	7.500%	06/15/2023	91.660	13,749,000.00	1.55	46,875.00
20,000,000.00	HOUSTON LTG & PWR	7.500%	07/01/2023	92.220	18,444,000.00	2.08	745,833.33
2,915,341.09	GNMA POOL 358745	8.000%	09/15/2023	100.989	2,403,148.92	.27	15,864.09
15,000,000.00	J C PENNY	7.125%	11/15/2023	71.400	10,710,000.00	1.21	133,593.75
12,998,900.52	GNMA POOL 352026	7.500%	11/15/2023	99.561	12,941,835.35	1.46	81,243.12
10,000,000.00	NEW YORK TELEPHONE	7.250%	02/15/2024	89.960	8,996,000.00	1.01	271,875.00
3,338,318.62	GNMA POOL 386200	8.000%	05/15/2024	101.003	3,371,801.96	.38	22,255.45
1,269,951.05	GNMA POOL 389530	8.000%	05/15/2024	102.992	1,282,548.96	.14	8,466.34
1,240,370.88	FNMA POOL 237188	8.000%	06/01/2024	100.376	1,245,034.17	.14	8,269.13
752,734.74	FNMA POOL 237193	8.000%	06/01/2024	100.372	755,534.91	.09	5,018.23
7,119,657.24	FNMA POOL 250060	7.500%	06/01/2024	99.155	7,059,496.14	.79	44,497.85
7,495,586.87	GNMA POOL 354834	8.500%	06/15/2024	102.284	7,666,786.07	.86	53,093.74
3,611,498.62	GNMA POOL 366810	8.000%	06/15/2024	100.995	3,647,433.03	.41	24,076.65
10,000,000.00	WEYERHAEUSER	7.950%	03/15/2025	97.490	9,749,000.00	1.10	231,875.00
3,915,903.59	GNMA POOL 414722	7.500%	10/15/2025	99.573	3,899,182.68	.44	24,474.39
1,967,501.51	GNMA POOL 417704	7.500%	10/15/2025	99.615	1,959,926.63	.22	12,296.88
1,151,447.96	GNMA POOL 416364	7.500%	11/15/2025	99.476	1,145,414.37	.13	7,196.54
6,008,222.02	GNMA POOL 416774	7.500%	11/15/2025	99.518	5,979,262.39	.67	37,551.38
399,767.12	GNMA POOL 417655	7.500%	12/15/2025	99.501	397,772.28	.04	2,498.54
4,448,458.60	GNMA POOL 418356	7.500%	12/15/2025	99.502	4,426,305.28	.51	27,802.86
7,534,261.37	GNMA POOL 414840	7.500%	12/15/2025	99.570	7,501,864.05	.84	47,089.13
1,379,091.31	GNMA POOL 412530	7.500%	12/15/2025	99.486	1,372,140.69	.15	8,619.32
366,629.17	GNMA POOL 374227	7.500%	12/15/2025	99.519	364,865.68	.04	2,291.43
9,155,753.81	GNMA POOL 417226	7.000%	01/15/2026	97.953	8,968,335.53	1.01	53,408.56
12,333,554.60	GNMA POOL 417239	7.000%	02/15/2026	97.896	12,074,056.61	1.36	71,945.73
7,056,023.21	GNMA POOL 417290	7.000%	03/15/2026	97.967	6,912,574.26	.78	41,160.13
18,000,000.00	APACHE CORP	7.950%	04/15/2026	100.260	18,046,800.00	2.03	298,125.00
8,404,435.54	GNMA POOL 421814	7.000%	04/15/2026	97.934	8,230,799.90	.93	49,025.87
10,000,000.00	CARGILL IND	7.500%	09/01/2026	94.649	9,464,960.00	1.07	247,916.67
20,000,000.00	BANKERS TRUST	8.090%	12/01/2026	87.140	21,785,000.00	2.45	162, 923.61
15,000,000.00	BANKBOSTON CAP	7.750%	12/15/2026	85.120	12,768,000.00	1.44	48,437.50
20,000,000.00	NATIONS BANK	7.830%	12/15/2026	89.480	17,896,000.00	2.01	65,250.00
15,000,000.00	WESTVACO CORP	7.500%	06/15/2027	90.645	13,596,765.00	1.53	46,875.00
10,000,000.00	TORO CO	7.800%	06/15/2027	91.320	9,132,000.00	1.03	32,500.00
15,000,000.00	HARCOURT GEN	7.200%	08/01/2027	81.940	12,291,000.00	1.38	447,000.00
15,000,000.00	BRUNSWICK CORP	7.125%	08/01/2027	87.550	13,132,500.00	1.48	442,343.75
13,768,434.50	GNMA POOL 02483	7.000%	09/20/2027	97.376	13,407,150.78	1.51	80,315.86
25,000,000.00	SEARS ROEBUCK	7.500%	10/15/2027	89.340	22,335,000.00	2.51	390,625.00
10,000,000.00	IMC GLOBAL	7.300%	01/15/2028	84.749	8,474,980.00	.95	334,583.33
15,000,000.00	TE PRODUCTS	7.510%	01/15/2028	90.880	13,632,000.00	1.53	516,312.50
20,000,000.00	CUMMINS ENGINE	7.125%	03/01/2028	84.520	16,904,000.00	1.90	471,041.67
10,000,000.00	OCCIDENTAL	7.200%	04/01/2028	87.530	8,753,000.00	.99	178,000.00
10,000,000.00	UNOCAL CORP	7.000%	05/01/2028	88.900	8,890,000.00	1.00	114,722.22
15,000,000.00	GLOBAL MARINE	7.000%	06/01/2028	87.500	13,125,000.00	1.48	84,583.33
10,000,000.00	CON EDISON	7.125%	02/15/2029	86.570	8,657,000.00	.97	267,187.50
21,663,986.94	GNMA POOL 2702	7.000%	01/20/2029	96.938	21,000,635.66	2.36	126,373.25
10,000,000.40	GNMA POOL 491599	7.500%	11/15/2029	99.288	9,928,800.40	1.12	62,500.00
9,974,489.90	GNMA POOL 520541	7.500%	01/15/2030	99.283	9,902,972.81	1.11	62,340.56
9,933,188.16	GNMA POOL 2883	7.500%	02/20/2030	98.849	9,818,857.16	1.10	62,082.42
9,953,022.10	GNMA POOL 494827	8.000%	03/15/2030	101.062	10,058,723.19	1.13	66,353.48
25,000,000.00	BELLSOUTH	7.500%	06/05/2033	90.850	22,712,500.00	2.56	78,125.00
EQUITY INVESTMENTS							
689,253.128	VANGUARD S & P	N/A	N/A	132.85	91,567,278.05	10.30	
1,602,439.899	VANGUARD EXTENDED	N/A	N/A	36.22	58,040,373.14	6.53	
N/A	FLEMING CAPITAL MGMT	N/A	N/A	N/A	64,677,064.60	7.28	33,285.69
TOTAL PORTFOLIO					\$888,587,021.84	100.00	\$9,825,916.01

Why Use Equity Investments?

The Treasury invests part of the LEQTF assets in equity securities primarily to provide capital appreciation of the Permanent Fund over time. As shown below in “History Shows Equities Perform”, equities have historically had a higher rate of return than fixed income securities, making them a good tool to help grow the market value of the Permanent Fund and maintain purchasing power, i.e. growing at a rate greater than inflation.

The Treasury employs a diversified approach to investment in equity securities in order to help reduce LEQTF investment risk. Equity investments include large, mid and small capitalization stocks and both actively and passively managed portfolios. The large capitalization stocks are invested in the Vanguard Institutional Index Fund, which fully replicates the Standard & Poors 500 Stock Index.

The small to mid capitalization stocks are invested by Fleming Capital Management and in the Vanguard Extended Market Fund, which together cover both growth and value style stocks.

At the end of fiscal year 1999-2000, LEQTF had 24.1 percent of its assets invested in equities with a total market value of \$214.3 million. For the fiscal year, the equity investments as a whole returned 13.9 percent. This translates into a \$26.9 million return on investment being comprised of \$5.3 million of income received and \$21.6 million of capital appreciation (both realized and unrealized). Since the end of September 1995 (when LEQTF began investing in equity securities) these equity investments have generated a \$111.4 million return on investment with \$14.7 million income received and \$96.7 million from capital appreciation.

History Shows Equities Perform Annualized Rates of Return

	1950-2000	1990-2000	1995-2000
Equities			
S&P 500	13.4%	17.8%	23.8%
Small Cap Stocks*	13.6%	15.2%	15.8%
Fixed Income			
Long Term U.S. Gov't	5.8%	10.0%	7.6%
Lehman Bros. Intermediate G/C	n/a	7.3%	5.8%
One-Month T-Bill	5.2%	4.8%	5.1%
CPI	4.0%	2.9%	2.5%

*CRSP/DFA Deciles 9-10

Board of Elementary and Secondary Education

The Board of Elementary and Secondary Education allocates its 8(g) funds on an annual basis to enhance the quality of education in elementary and secondary schools statewide. Three funding methods are used—competitive, block and

statewide—and consideration is given to focusing the dollars on the Board’s initiatives. All 66 school districts and all approved independent schools are eligible to receive funds to improve classroom teaching and learning.

Star Quality

Clearwood Junior High
St. Tammany Parish

Seventh and eighth grade students applied basic word processing skills to produce project-oriented activities that required research, writing, and organizational skills—the fundamental objectives of STAR (Student Technologically Applied Research). Besides the documented increases in students’ typing speed, word processing skills, and scores on a library research pre- and post-test, there were other program successes that were just as important.

According to the grant administrator, Lucy Vennen, who was also selected as Louisiana Teacher of the Year, the popularity of the computer lab was greater than anticipated. The students’ thirst for new computer knowledge appeared to be unquenchable. Before school and during lunch there was seldom an available computer. Students raced to secure a lab spot where they completed work or practiced skills. On the two weekly afternoons that the lab held late hours, many students remained to work on both academic and personal projects.

Other teachers, excited about the STAR students’ newly acquired skills, expanded their curriculum to include computer assignments. Social studies teachers required research on various Louisiana history and American history topics. The family and consumer sciences teacher assigned a booklet on child development. The science teacher required reviews on recent science events from the Internet. All of this extra activity kept the lab’s thirty-two computers in constant use.

The grant text stated that each phase of STAR “will allow students to experience advances in the realm of accomplishment. Success will breed success, and students will challenge the limits of their own abilities.” It is apparent that this has been realized. In the 27 weeks this lab has been operational, there have been successes that would not have been possible in the traditional classroom. Thanks to STAR, and the \$62,000 competitive grant from the Board of Elementary and Secondary Education, each day better prepared our students for the 21st Century. It appears that the acronym chosen for this program, STAR, has become a self-fulfilling prophecy. Students have created “stellar” work and have begun to “shine.”

The next time you take a bite out of your chocolate bunny, think about this. The knowledge of the history and production of chocolate may now consume your thoughts as you consume that bunny. After all, the world as a whole consumes 2.5 million metric tons of it annually. That is enough to make 137, 813 elephants out of solid chocolate!

Excerpt from the research project of Tiffany Robinson, a fourteen-year-old eighth grader. Tiffany’s favorite things are dancing and leisure time with friends. She has an educational ambition to attend college and become a pediatric oncologist.

Getting Ready

Preschool Block Grant Projects

To help four-year-old students be better prepared for kindergarten, the Board of Elementary and Secondary Education allocated \$6,600,000 of their 8(g) funds to local public school districts for pre-school programs. During the 1999-2000 school year 65 systems provided classes for approximately 2,597 four-year-olds in 159 schools.



photo courtesy of Boothville-Venice School, Plaquemines Parish

At each site a developmentally appropriate curriculum was provided along with early intervention strategies with families. The curriculum addressed both age appropriate and individual needs of young children, including activities in all developmental areas—physical, social, emotional, and intellectual. In addition, the curriculum was integrated so that learning occurred primarily through projects, learning centers, and play which recognize student interests and cultural diversity.

The comments of parents and teachers best illustrate the real value of this program:

I feel that Early Childhood has prepared Lauren for kindergarten. She has learned so much and applies what she has learned at home. Her grandparents were so impressed when they came to visit. Lauren was teaching them about sea anemones which we have a hard time pronouncing and spelling. Lauren teaches us and reinforces things that we forgot about. Thanks!

Lafayette Parish

The program success achieved is indicated by the improved self-esteem exhibited by the children who attended the class. Many have come away exhibiting a love of school and an eagerness to attend each day. One of the most obvious aspects of this is the children's love of books. This year each child was responsible for their own "homework" journal and a book from the classroom library three nights a week. "Homework" on these nights was for

an adult to read a book to the child, and the child was to draw a picture of their favorite part of the book in their journal. As the year progressed, the child could dictate to the adult their favorite part, and the adult would write this next to the picture. This activity proved to be very successful, as evidenced by homework journals provided.

Ascension Parish

Eighteen students learned French words and songs through efforts of the paraprofessional at Golden Meadow Lower, and another class at Bayou Blue Elementary participated in "writing and reading" project by communicating with a "penpal" early childhood classroom.

Lafourche Parish

The students improved in social skills, which was evident by their ability to work and play cooperatively. Kindergarten teachers are excited to have the Early Childhood students in their classroom as role models for students with no social training because of their established classroom routine and transitional skills.

Richland Parish

Collaboration with parents, other teachers, and administrators enhanced the overall impact on student growth. With the focus being on accountability, everyone is more focused on what is best for the children. Parents are more verbal and contribute constructive ideas and suggestions for improving the program in addition to providing their time, energy, and resources to make the program better.

Madison Parish

The program at Colfax Elementary involved all family members and people from the community, which benefitted the children in the project. The children learned how to express their wants and needs through acceptable ways and also learned age appropriate social and emotional skills that will be needed as they grow from children to teenagers and successful adults.

Grant Parish

The community has supported the Preschool program in many activities. Teachers are convinced students who have attended the Preschool program are better prepared when they enter kindergarten.

Caldwell Parish



photo courtesy of Boothville-Venice School, Plaquemines Parish

High Tech

Bossier Parish Technical School, Bossier Parish

"As companies scramble to get their workplaces networked and technology upgraded, skilled computer technicians are in high demand – and scarce!"

School to Work Reporter August, 1998

One school in Louisiana is trying to do something about this, with the help of a \$99,967 grant from the Board of Elementary and Secondary Education 8(g) fund.



Danny Winn, Chris McCready, and Kyle Johnson pull cable as they network refurbished PCs for Mrs. Spiller's Cooperative Office Education class.

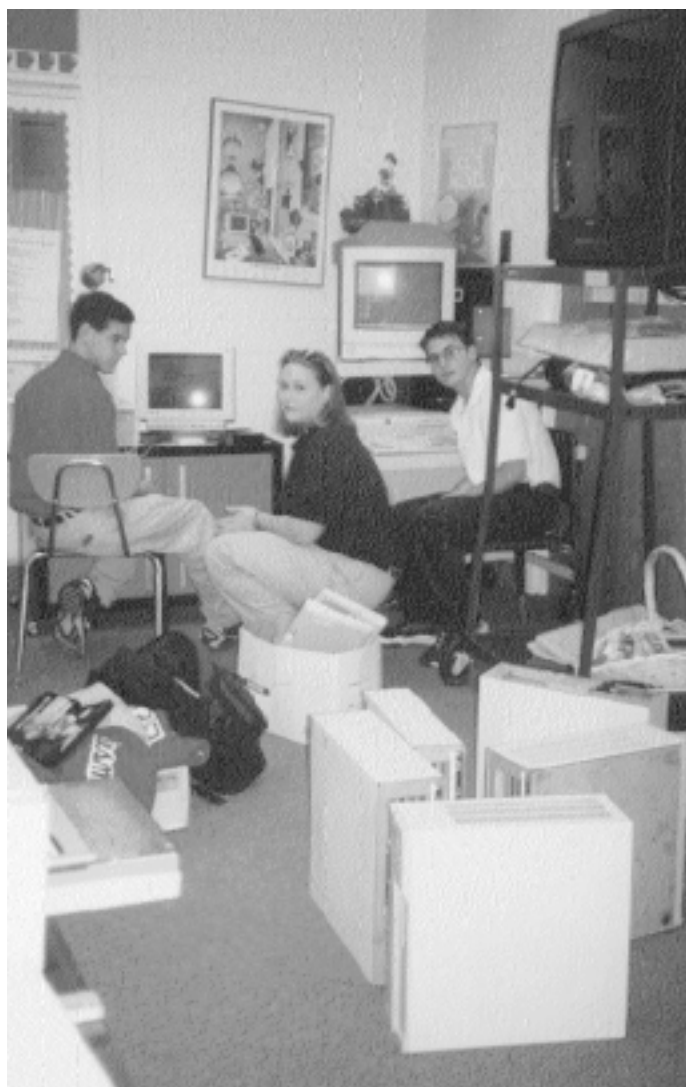
Bossier Parish Technical School

The Bossier Parish Technical School serves students from all high schools in the parish. It was established with the help of Cisco, the largest supplier of hardware for the Internet, which has established networking academies in 49 states and 11 foreign countries, with this being the only active one in Louisiana. The purpose of the project was to develop additional training programs in computer troubleshooting and advanced networking skills, to

help students gain technical and business management skill, to place refurbished computers in schools through the statewide CLK (Computers for Louisiana's Kids) program, and to create business partnerships.

All of the participants passed the Cisco Network Setup and Troubleshooting Skills practical test. Forty-one percent of the students enrolled in the classes obtained part-time employment in a computer-related field or planned to enroll in a computer-related program at the university level.

A related program benefit was that the school's students were responsible for setting up entire computer labs at four schools in the district, as well as providing hardware and software support services for teachers at their home schools.



Eric Liesman, Rachelle Walden, and Chris Hansche help set up Mrs. Cumming's French Class's computer lab with donated PCs.

Haughton High School



Michael Savage, first grade.

Weston High School, Jackson Parish

Statewide Arts Project

When school budgets get cut, one of the first areas affected is the arts classes, often considered a “frill”; yet, research has shown that knowing and practicing the arts disciplines – dance, theater, visual arts, and music – are fundamental to the healthy development of children’s minds and creativity.

The Board of Elementary and Secondary Education supports arts activities in the schools through an allocation of \$300,000 to a statewide program called Instructional Enhancement Through the Arts. Those dollars amount to only 34¢ per child, but oh, what those creative teachers can do! From mask making (Jefferson Parish) to creating pottery (Jackson Parish) to studying classical composers (Diocese of Baton Rouge) to a workshop on computer graphics (LaSalle Parish), students all across Louisiana participated hands-on and experienced the arts.

Making a Difference

Cotton Middle, Green Middle, Live Oak Middle, F. C. Williams Middle, Woodson Middle, and Wright Middle

New Orleans Public Schools

A challenge faced by many educators is how to reach the disenchanted, disinterested, and disengaged young adolescents who likely will drop out of school unless ways can be found to motivate and to provide the skills needed for academic success. Such a program has been operating in New Orleans with the help of \$298,000 of 8(g) block grant funds.



*Teacher
with
ESTAS
Class.*

The primary goal of ESTAS (Educational Success Through Alternatives to Suspension) was to provide an alternative classroom environment that improved interpersonal relationships, supported student learning, built self-esteem, facilitated peer mediation, and individualized instruction. Each self-contained classroom served no more than 15 eighth grade students.

The impact such a program can have is clearly illustrated by one teacher’s account of how the program assisted one of her students:

“For me, the school year began in the same way that others began. However, there was one exception, and that exception was a student named Mary (not her real name). Mary had three major problems that prevented her from functioning as a normal eighth grade student: she was suffering from some type of emotional abuse; her physical appearance was that of a frightened child; and she was on medication that interfered with her ability to function normally in class.

I had real concerns about how to deal with this child having so many problems. I had to get the class to accept and help Mary adjust to her new environment. The best way for people to get to know each other is through writing something about themselves. The Journal topic that day was to write about a most embarrassing moment. Mary wrote about the time her mother beat her in a department store for no apparent reason.

She stood up to read her most embarrassing moment to the class. She read with so much emotion that we all felt her pain. The children became her protectors and friends.

Mary began to respond to the caring of her classmates and teacher. She has been on the Honor Roll for the last three quarters. She has taken the entrance examination for McDonogh 35; and she has an audition for NOCCA (New Orleans Center for Creative Arts).”

Fauve Fotos



Grace King High School
Jefferson Parish

With the help of a \$500 8(g) Instructional Enhancement Through Arts grant, students at Grace King High School in Jefferson Parish studied the Fauve movement in modern art by using books, reproductions, the Internet, and a field trip to the New Orleans Museum of Art. As a final project, the students took Polaroid photographs of each other and painted them using the Fauve palette.

Hope Wright, Grade 12



Lindsey Prevost, Grade 9

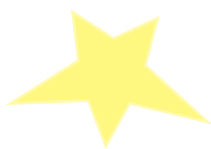
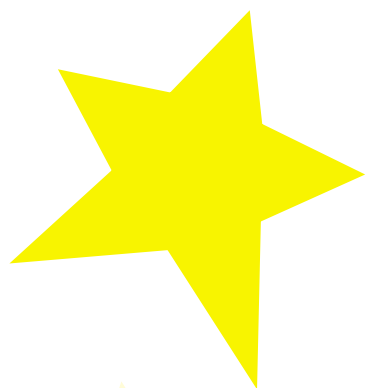
Lindsey 2000



Abhishek Derchoughuy, Grade 9



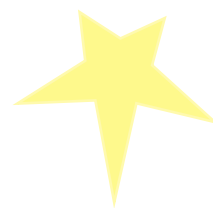
Alexandra Arnuero, Grade 10



Ashley Beach, Grade 12



Leah Daret, Grade 9





Gloria Esthus, Teacher



Tina Boccanfuso, Grade 12

Board of Regents

Regents Support Fund Grants Total \$28.1 million

This summer, Louisiana colleges and universities received \$28.1 million through the Board of Regents to finance research and development projects, new research and teaching equipment, superior graduate fellowships and to help create 11 new Endowed Chairs for Eminent Scholars and 76 Endowed Professorships.

Funding for the Louisiana Education Quality Support Fund is generated through a permanent trust fund approved by voters in a 1986 constitutional amendment. The original \$540 million payment was part of a settlement between the state and federal governments over off-shore oil and gas money. By 2000, the trust fund had risen to approximately \$896 million. Twenty-five percent of the interest earned each year is retained in the fund until it reaches \$2 billion. The Legislature appropriates half of the remaining interest to the Board of Regents, the policy-making and coordinating agency for all public higher education in Louisiana, and the other half to the Board of Elementary and Secondary Education for grades K-12.

The Board of Regents uses its share to underwrite new endowed chairs and professorships and to award grants for research and development, superior graduate fellowships and to purchase scientific and teaching equipment. This year, the endowed chairs and professorship portion amounted to \$8.64 million . The other three categories totaled approximately \$19.4 million.

“The endowed chairs program is an invaluable recruiting tool in attracting new scholars and researchers to Louisiana,” said Commissioner of Higher Education Joseph Savoie. “It also helps campuses retain eminent individuals who attract bright young professors and graduate students. Chairholders also interact with business and community leaders to further academic enrichment and economic development and diversification.”

When the Regents Support Fund and private contributions are combined, the total value of this year’s endowed chairs and endowed professorships is almost \$22 million. Since the beginning of the program, the Regents have awarded \$99.44 million in matching

grants to create approximately 162 endowed chairs, including nine \$2 million chairs, and 805 endowed professorships. When matched with private contributions, the value of those chairs and professorships is almost \$248 million.

To create the endowed chairs and professorships, colleges and universities must raise 60 percent of the cost from private, non-state sources. For example, to establish an endowed chair for eminent scholars, colleges and universities first must raise \$600,000 from private contributions, which then makes them eligible to receive the Regents’ \$400,000 match. The total value of the endowed chair is \$1 million. The Regents also have funded chairs at the \$2 million level, including three this year. In this instance, \$1.2 million in private contributions is matched by \$800,000 from the Support Fund. In the Endowed Professorships program, \$60,000 must come from private sources to qualify for the Regents’ \$40,000 match.

1999-2000 Regents Support Fund Research & Development Grants		
INSTITUTION	NO. OF AWARDS	TOTAL
LSU - Agricultural Center	3	\$372,097
LSU - A&M College	19	\$2,151,577
LSU Health Sci. Ctr.-NO	1	\$124,005
LSU Health Sci. Ctr.-Shreveport	3	\$353,918
Louisiana Tech University	4	\$308,429
Loyola University	1	\$28,394
Nicholls State University	2	\$86,063
Northwestern State University	2	\$69,167
Southeastern LA University	1	\$71,368
Southern University-BR	1	\$83,807
Tulane University	7	\$673,214
Tulane University Medical Center	1	\$141,220
University of LA-Lafayette	6	\$525,471
University of New Orleans	7	\$785,974
TOTALS	58	\$5,774,704

1999-2000 Regents Support Fund
Graduate Fellows Grants

INSTITUTION	NO. OF AWARDS	TOTAL
LSU - A&M College	10	\$1,156,000
Louisiana Tech University	2	\$148,000
McNeese State University	1	\$28,000
Northwestern State University	2	\$52,000
Southern University-BR	3	\$176,000
Tulane University	4	\$612,000
Tulane University Medical Center	4	\$490,000
University of LA-Lafayette	5	\$210,000
University of New Orleans	5	\$390,000
TOTALS	36	\$3,262,000

1999-2000 Regents Support Fund
Enhancement Grants

INSTITUTION	NO. OF AWARDS	TOTAL
Bossier Parish Comm. College	5	\$117,692
Centenary College	5	\$200,043
Delgado Community College	1	\$30,213
Dillard University	12	\$415,258
Grambling State University	2	\$196,669
LSU - Ag. Center	4	\$467,000
LSU - Alexandria	1	\$30,000
LSU - A&M College	27	\$2,019,529
LSU - Eunice	1	\$27,000
LSU Health Sci. Ctr.-Shreveport	1	\$82,412
LSU - Shreveport	16	\$636,262
Louisiana Tech University	7	\$508,132
Loyola University	5	\$133,773
McNeese State University	5	\$210,815
Nicholls State University	6	\$236,921
Northwestern State University	11	\$482,642
St. Joseph Seminary College	1	\$28,643
South LA Community College	2	\$34,000
Southeastern LA University	7	\$194,508
Southern University-BR	6	\$356,319
Southern University-NO	7	\$288,988
Southern University-Shreveport	2	\$87,308
Tulane University	4	\$465,973
Tulane University Medical Center	2	\$132,918
University of LA-Lafayette	9	\$693,539
University of LA-Monroe	3	\$471,641
University of New Orleans	14	\$1,434,942
Xavier University	4	\$352,679
TOTALS	170	\$10,335,819

1999-2000 Regents Support Fund
Endowed Chairs and Endowed
Professorships

INSTITUTION	CHAIR AWARDS	PROF. AWARDS
Centenary College		2
Grambling State University		1
Louisiana College		4
LSU - Agricultural Center		1
LSU - A&M College	2	4
LSU Health Sciences Ctr.	2	4
LSU Law Center		3
LSU - Shreveport		4
Louisiana Tech University		4
Loyola University	2	
McNeese State University		4
Nicholls State University		4
Northwestern State University		4
Nunez Community College		2
Our Lady of Holy Cross College		3
Our Lady of the Lake College		4
Southeastern LA University		4
Southern University-BR		4
Southern University-NO		1
Southern University-Shreveport		1
Tulane University	1	4
Tulane University Medical Center	1	4
University of LA-Lafayette	1	4
University of LA-Monroe		4
University of New Orleans	2	
Xavier University		2
TOTALS	11 Chairs \$5,600,000	76 Professorships \$3,040,000

TOTAL ENDOWMENTS **\$8,640,000**

Louisiana Education Quality Support Fund Projects

1. Researchers at Nicholls State University have discovered a new retinally-expressed gene from human Chromosome 11 that may provide clues to the specific cause of Acadian Usher Syndrome as well as a better understanding of retinal physiology. The characteristics of Type I Usher Syndrome, which appears in a small population of Acadian descendants from southwestern Louisiana, include profound deafness, which occurs from birth, and retinal degenerative blindness that becomes clinically apparent in early adulthood. Results from the research funded by LEQSF were presented in 1999 at two international symposia as well as the annual meeting of the American Society for Human Genetics.

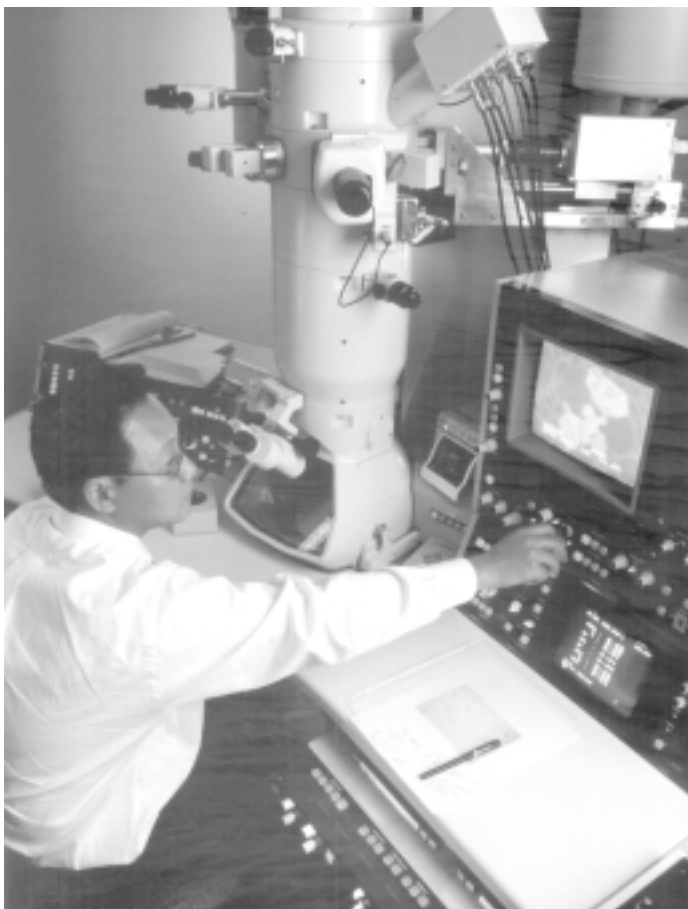
2. A professor with joint appointments to Southern University and Louisiana State University has been approved by NASA for a mission concept study for an ultra long duration balloon flight of a gamma ray telescope. The project is being developed through a collaboration with Washington University, University of California, and New Hampshire. The Joint Faculty Appointments Program through which the professor was appointed to the two universities is funded by LEQSF and the National Science Foundation LA EPSCoR (Experimental Program to Stimulate Competitive Research) program.

3. The Louisiana Textile-Apparel-Retail (LaTAR) Consortium for Quick Response established with LEQSF funds at the University of Louisiana-Lafayette is giving students from the College of Business and Computer Science the knowledge, skills, and experience to design and develop Quick Response (QR) systems. QR is a comprehensive strategy that enables textile, apparel and retail business to meet the changing requirements of a competitive marketplace by shortening the production cycle from raw materials to the consumer. Additionally, several Louisiana businesses are in the process of implementing QR-related business strategies and the Louisiana Advanced Manufacturing Research Testbed has been established within the university's Apparel-Computer Integrated Manufacturing Center. This project integrates research activities within UL-Lafayette and Grambling State University and provides enhanced research opportunities for GSU's minority undergraduate students. LaTAR also resulted in additional research funds from NSF (\$198,573), the Support Fund and the private sector, including such companies as Rutter-Rex, Byte, New Generation and Oracle.

Orienting students to the use of the University of Louisiana at Lafayette's LATAR (Louisiana Textile-Apparel-Retail) web database at LeCentre International de Lafayette, the international trade development agency in Lafayette, are, left to right, Dr. Ramesh Kolluro, research director of the university's Apparel Computer Integrated Manufacturing Center (A-CIM) and LATAR co-principal investigator; Lisa Moreau, a geology graduate student; Nandina Srinivas, a computer science graduate student assistant and one of the developers of LATAR; and Cullen Bernard, a public relations undergraduate.



4. A \$350,000 LEQSF grant has resulted in an U.S. Department of Defense grant of more than \$9 million to establish the University of New Orleans Advanced Materials Research Institute. AMRI is now a research consortium of academic, government, and industrial participants and their research laboratories. Besides UNO, participating academic laboratories include Louisiana State University, Louisiana Tech University, Tulane University, Massachusetts Institute of Technology, Xavier University, and Southern University. Participating government and industrial laboratories include the Naval Research Laboratory, the IBM - Almaden Research Center, IBM - T.J. Watson Research Center, Materials Modification, Inc., and Honeywell.



Dr. Weilie Zhou, University of New Orleans, looks inside materials using the Transmission Electron Microscope. Once the image and/or information is transferred to the computer screen, Dr. Zhou can review and work in areas much smaller than a pin point. This enables him to examine the nanocrystal image of materials.

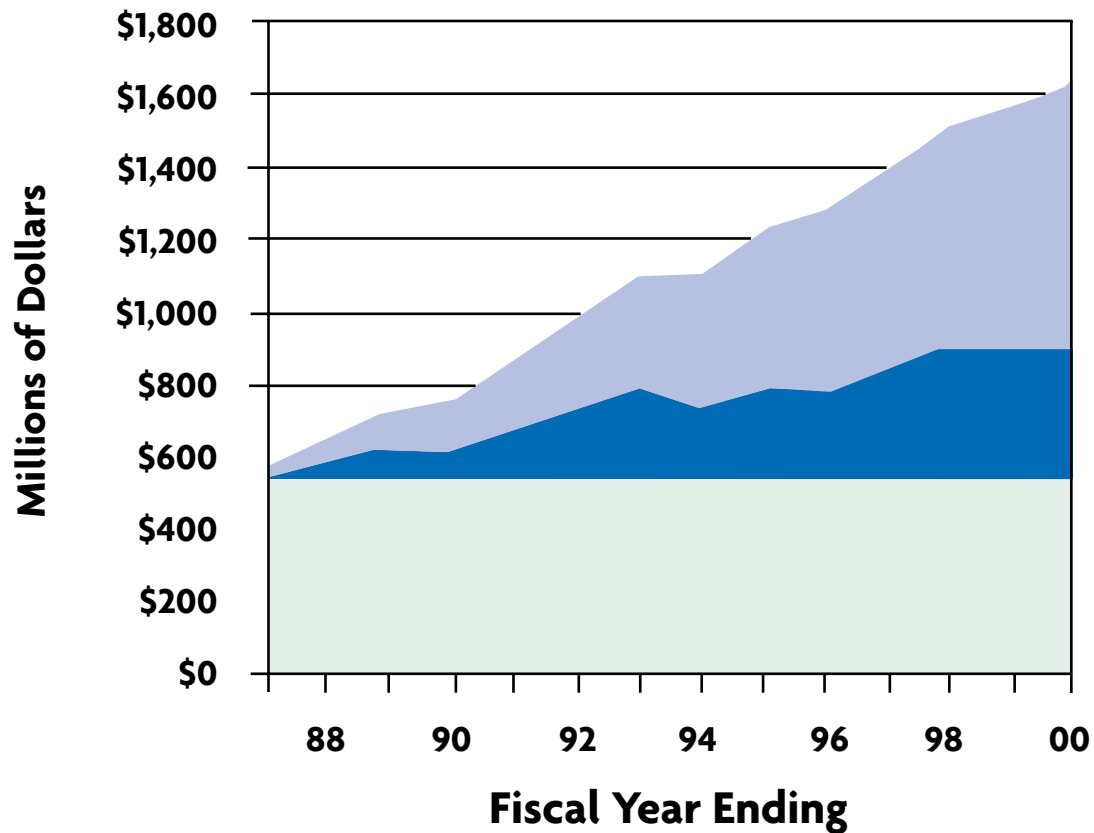
5. The Louisiana Tech Center for Miniaturization Technologies is working on a needle oxygen cathode capable of measuring oxygen partial pressure in a sample volume on the order of cubic microns. The specific methods used in the production of the oxygen

sensing electrodes can be applied to the manufacture of electrodes that sense other dissolved gases in biological systems. The possibility of commercialization is being investigated. The Center, which is located in LaTech's Institute for Micromanufacturing, is funded by LEQSF and the National Science Foundation LA EPSCoR (Experimental Program to Stimulate Competitive Research) program.

6. A Tulane research team has developed a novel class of fluorescent molecules that behave as selective chemosensors, including one that shows a very high selectivity for K^+ , even in the presence of large excesses of human blood. Being able to quickly analyze for K^+ in the presence of large amounts of Na^+ is very important in medicine. The researchers are with the Center for Photoinduced Processes, which is funded by LEQSF and the National Science Foundation LA EPSCoR (Experimental Program to Stimulate Competitive Research) program.

7. LSU Earth Scan Laboratory (ESL) enhancements funded by a LEQSF grant include a) improved capabilities for capturing and processing present and future satellite data, b) improved computational power for image processing and visualization of satellite data, c) improved image processing and data display capabilities, and d) increased data storage capacity. These enhancements are enabling ESL to attract more and better research funding from federal agencies. The latter includes a new NASA grant to study world deltas using remote sensing data, another new NASA grant that focuses on understanding the circulation and sediment transport processes that contribute to land building in the Chenier Plain region, and two grants for research projects that provide the National Oceanic and Atmospheric Administration (NOAA) satellite image coverage of surface temperature and reflectance of Louisiana coastal regions, lakes and bays in near-real time. ESL also reconstructs meteorological/roadway conditions from rain gauges and satellite, providing scientific evidence for the state in weather-related court cases and saving the state millions of dollars in lawsuits. In addition, it provides the Office of Emergency Preparedness with real-time assistance as they make recommendations and decisions in hurricane emergency situations. Between late 1998 and June 2000, the LSU ESL was awarded some \$1.64 million in external funding.

LEQTF Market Value and Cumulative Distributions



- Distributions \$725
- Market Value \$898
- Initial Investment \$540

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